

Message Text

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PAGE 01 CARACA 02080 031927Z

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AMEMBASSY BRASILIA

UNCLAS CARACAS 2080

PASS TO OED/MEPD AND OIM

E.O. 11652: N/A

TAGS: BENC, VE

SUBJ: MAJOR PROJECT: GURI DAM

REF: 77 CARACAS 6592 ET AL

1. ELECTRIFICACION DEL CARONI, C.A. (EDELCA) AND BRASVEN, A CON-SORTIUM FORMED BY CAMARGO CORREA (BRAZIL, CETENCO (BRAZIL), ISAMAR (VENEZUELA, EDIFICA (VENEZUELA), EDIVIAGRO (VENEZUELA), AND VINCCLER (VENEZUELA), SIGNED A \$1.2 BILLION CONTRACT ON 28 FEBRUARY FOR THE EXECUTION OF THE FINAL STAGE OF THE GURI DAM. THE BRAZILIAN COMPANIES WILL BE RESPONSIBLE FOR 61 PERCENT OF THE VALUE OF THE CONTRACT WHILE THE VENEZUELAN WILL TAKE 39PERCENT.

2. COMMENT: THE EIGHT MONTH DELAY BETWEEN THE AWARDING OF THE CON-TRACT AND ITS SIGNING WAS CAUSED ALMOST ENTIRELY BY PRESSURE WHICH THE GOV EXERTED ON THE BRAZILIANS TO INCREASE THE VENEZUELAN PARTICIPATION IN THIS PROJECT. IT IS REPORTED THAT THE CONSORTIUM'S VENEZUELAN MEMBERS ACCOUNTED FOR ONLY 17 PERCENT OF THE PROJECT AT THE TIME THE CONTRACT WAS AWARDED BUT THAT PRESSURE FROM VENEZUELA'S PRESIDENT AND OTHER TOP-LEVEL OFFICIALS CAUSED THE BRAZILIANS TO AGREE TO LET VENEZUELAN PARTICIPATION RISE TO 39 PERCENT.

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HOWEVER, IT IS REPORTED THAT THE INCREASED VENEZUELAN PARTI-CIPATION CAUSED THE COST OF THE FINAL CONTRACT TO CLIMB BY \$40.7 MILLION. THE GOV SEEMS WILLING TO PAY THE EXTRA PRICE IN THE BELIEF THAT THE EXPERIENCE GAINED BY THE VENEZUELAN COMPANIES ON THIS PROJECT WILL ENABLE THEM TO COMPETE FOR FUTURE LARGE CONSTRUCT-ION PROJECTS IN OTHER LATIN AMERICAN COUNTRIES AND THE CARIBBEAN.
CROWLEY

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